

NEW PRODUCT ADVISORY No. 03-011

A FULL SERVICE PLAN'S 2004 NEW PERSONAL ADVANTAGE INDIVIDUAL PRODUCT WITH DEDUCTIBLE

ACTION: Review Concluded August 21, 2003

Amendment proposing a new individual Membership Agreement and Evidence of Coverage/Disclosure Form.

Filing Nos. 20035421; 20036027; and 20037066

Filed May 6, 2003 and amended on June 16, 2003 and August 21, 2003

SUMMARY

A particular Plan filed a new commercial individual Membership Agreement and Evidence of Coverage/Disclosure Form ("EOC") to market statewide. The Department identified deficiencies in portions of the EOC, including disclosures regarding retroactive termination for nonpayment of premiums and rescission of membership.* The particular Plan resolved these deficiencies. The Department did not object to the particular Plan's proposals to include a deductible for compounded and brand prescription drugs, to include an overall deductible, and to limit enrollment to individuals who reside in the Plan's service area.

COMPOUNDED AND BRAND PRESCRIPTION DRUG DEDUCTIBLE

The particular Plan proposed compounded and brand name prescription drug deductible of \$100-\$250 per person per calendar year. The Department did not identify deficiencies with this deductible because it does not apply to generic drugs or the Plan's "base" drugs, which include drugs to treat certain life-threatening and serious conditions. Additionally, the EOC clearly discloses that the "base" drugs are not subject to the drug deductible (listing each class of drug excluded from the deductible), and clearly discloses that the deductible does not apply towards the annual out-of-pocket maximum.

BASIS OF ACTION

Sections 1363, 1367(e), 1367(h), and 1375.1(a)(2), and Rule 1300.67.4(a)(3)(A)

OVERALL DEDUCTIBLE

The particular Plan proposed an overall deductible of \$1500 per person and \$3000 per family per calendar year. The particular Plan revised the EOC to clearly disclose that the entire overall deductible applies towards the out-of-pocket maximum. The EOC clearly discloses that preventive services are not subject to the deductible.

BASIS OF ACTION

Sections 1363, 1367(e), 1367(h), 1367(i), and 1375.1(a)(2) and Rule 1300.67.4(a)(3)(A)

LIVE OR WORK ELIGIBILITY

The Department did not object to the particular Plan's proposal to limit eligibility for this individual product to individuals who live in the Plan's service area (except as otherwise required by statute) because of the impossible administrative burden of verifying the employment locations of each applicant. This is in contrast to group contracts, which must define eligibility criteria to include individuals who either live or work in the service area.

BASIS OF ACTION

Section 1367(e) and Rules 1300.67.2 and 1300.51(d)(H)

RETROACTIVE TERMINATION FOR NONPAYMENT OF PREMIUMS

The Department objected to the EOC's initial language terminating coverage for nonpayment of premiums retroactively to the last day of the month for which payment was received without providing at least 15 days advance written notice. The particular Plan corrected this deficiency by revising the EOC to clearly disclose that the Plan will mail written notice of termination for nonpayment of premiums at least 15 days before the termination date.

BASIS OF ACTION

Sections 1367(h), 1365(a)(1), and Rule 1300.65(b)

RESCISSION OF MEMBERSHIP

The Department did not object to the particular Plan's proposal to rescind a member's coverage in this individual product if he or she intentionally provided incomplete or incorrect material information in the enrollment application because the EOC clearly discloses the limited circumstances under which the particular Plan may rescind a member's coverage, the particular Plan also provides a prominent warning of this fact in the instructions to the enrollment application form, and the notice of rescission will notify the member of his or her rights to request review by the director based on an allegation that the action was taken because of the enrollee's or subscriber's health status or requirements for health care services.

BASIS OF ACTION

Sections 1363, 1365, and 1389.3, and Rule 1300.65

Based on the particular Plan's revisions to the proposed individual contract, the Plan was permitted to implement the proposed product, subject to any future review and revision that may be necessary.

*** Additional deficiencies identified in the above-referenced filing, similar to deficiencies identified in other filings by this plan, and their resolution, are presented in NPA Nos. 03-010 and 03-012.**